

**MINUTES OF TELEPHONIC MEETING
ILLINOIS GAMING BOARD
May 26 -27, 2004
CHICAGO, ILLINOIS
Revised**

NOTE: ITEMS IN **BOLDFACE PRINT** REFLECT OFFICIAL BOARD ACTIONS

A Special Meeting of the Illinois Gaming Board ("Board") was held on May 26, 2004. The Board met in the conference room of the Gaming Board Offices on the 3rd floor at 160 N. LaSalle for closed session.

The following Board Members were present: Chairman Elzie Higginbottom and Members Violet Clark and Gary Peterlin. Member William Dugan was present telephonically.

The meeting convened at 8:35 A.M. Pursuant to Section 2(c), paragraphs (1), (11), (14) and (21) of the Open Meetings Act and Section 6(d) of the Riverboat Gambling Act, Member Peterlin moved that **the Board retire to Closed Session to discuss the items listed under Closed Session on today's agenda and relating to the following subject matters:**

- 1. Pending litigation and matters involving probable litigation;**
- 2. Investigations concerning applicants and licensees; and**
- 3. Personnel matters.**

Member Dugan seconded the motion. The Board approved the motion unanimously by voice vote.

The Board convened its Open session at 11:35 A.M.

Administrative Hearings/ALJ Reports

- In Re The Disciplinary Action of Emerald Casino, Inc., DC-01-05 and In Re The Matter of the Denial of the Renewal of the Owner's License of Emerald Casino, Inc., GL-01-01-Modifications to the IGB Letter Agreement to Reflect Amendments to Emerald's Plan of Reorganization. –

James Sprayegen was present on behalf of Kirkland & Ellis to brief the Board on the confirmed reorganization plan for Emerald Casino, Inc. Mr. Sprayegen stated that the plan is substantially the same as the plan that the Board reviewed and found acceptable in December, 2003, as a basis for activating a fair, open and competitive sales process for Emerald Casino, Inc.

Mr. Sprayegen provided the Board with handouts that outlined the reorganization plan. Mr. Sprayegen discussed the difference between the revised plan and the plan that was approved

by the Board in December 2003. Mr. Sprayegen discussed the features of the revised plan, interest and Attorney's fees, treatment of identified investors, and, as he stated, the "false information" that has been spread about the confirmed plan and the sale of Emerald Casino, Inc.

Mr. Sprayegen stated that the plan fully protects the Illinois Gaming Board's regulatory authority and its ability to preserve the integrity of gaming in Illinois.

Member Clark asked what happens to Mr. McQuaid's claim if the Board does not approve the revised plan.

Mr. Sprayegen stated that Mr. McQuaid does not recover on the \$375,000 claim.

Member Peterlin stated that the bankruptcy court would ultimately have to decide if the revocation hearings could proceed and questioned why the issue is being delayed.

Mr. Sprayegen stated that Kirkland and Ellis' view is that the delay is unnecessary at this point. Mr. Sprayegen stated that the revised plan is constructed so that the intersection of regulatory State law and Federal Bankruptcy law separate and not interfere with each other. Mr. Sprayegen stated that Kirkland and Ellis' plan does not require, at least right now, the bankruptcy judge to make that determination. Mr. Sprayegen stated that the view of Kirkland and Ellis is whether the administrative proceedings proceed or not. Mr. Sprayegen stated that the Board has previously determined that the sales process was appropriate, which in Kirkland and Ellis' view is the functional equivalent of the application of any remedies that would ultimately be recommended out of the administrative proceeding. Mr. Sprayegen stated that the license is not going to stay with Emerald under any circumstances. Mr. Sprayegen stated that the license is going to either be sold and moved to Isle of Capri or moved to one of the other two bidders if the sales process proceeds.

Chairman Higginbottom stated that the Board was waiting for the confirmation of the reorganization plan. Chairman Higginbottom stated that once the reorganization plan was confirmed, the Board would be in a position to take an application from an applicant for the transfer of the license.

Chairman Higginbottom stated that the Board needs to deliberate and review the changes that were made to the plan. Chairman Higginbottom stated that the Board would also like to hear the opinion of the Attorney General as to if the Board should not receive an application from the Isle of Capri or if the Board should receive the application from the Isle of Capri and move forward to the suitability phase.

Chairman Higginbottom stated that the sales process provides that should the winning bidder not be found suitable, then one of the other two finalists could be selected to move forward with a transfer of the license.

Chairman Higginbottom stated that he realizes that time is very important and the Board will move forward to give Mr. Sprayegen an answer as it relates to the revised plan as quickly as possible. Chairman Higginbottom stated that some of the changes in the reorganization plan that was approved were not issues by the Board, some of those issues that the Illinois Attorney General has and the Board can't speak for her. Chairman Higginbottom stated that the Board has been notified by the Attorney General that she does plan to return to the Administrative Hearing.

Owner Licensee Items

- Penn National Gaming Inc. – Waiver of Two-Meeting Rule and Request for Relaxation of Financial Debt Covenants - Paul Jensen, Attorney, was present on behalf of Penn National to request a waiver of the Two-Meeting Rule.

Member Peterlin moved that **the Board waive the two meeting requirement of Board Rule 3000.105(e) and permit Penn National Gaming Inc. to present for Board approval its request for Relaxation of Financial Debt Covenants.** Member Clark seconded the motion. The Board approved the motion unanimously by voice vote.

Based on a review of the staff's investigation and recommendation, Member Peterlin moved that **the Board approve Penn National Gaming Inc.'s request for relaxation of financial debt covenants consistent with the terms and conditions proposed in its April 30 and May 11, 2004 correspondence to Gaming Board staff members. Further, Member Peterlin moved that the Board delegate to the Administrator, under Board Rule 3000.230(d)(2), final approval of the transaction upon execution of the appropriate documentation.** Member Clark seconded the motion. The Board approved the motion unanimously by voice vote.

At 12:15 P.M. Member Clark moved that **the Board recess to Closed session until May 27, 2004 at 8:30 A.M.** Member Dugan seconded the motion. The Board approved the motion unanimously by voice vote.

At 8:41 A.M., the Board reconvened its Special Meeting of the Illinois Gaming Board ("Board") on May 27, 2004. The Board met in the conference room of the Gaming Board Offices on the 3rd floor at 160 N. LaSalle for closed session.

The following Board Members were present: Chairman Elzie Higginbottom and Members Violet Clark. Members Gary Peterlin and William Dugan were present telephonically.

At 10:21 A.M. Member Clark moved that the Board adjourn. Member Peterlin seconded the motion. The Board approved the motion unanimously by voice vote.

Respectfully submitted,
Monica Thomas

Secretary to the Board